



UNIVERSITY
OF ALBERTA

CPA Speaker Series:

Jie Joyce Tian, University of Waterloo

OVERCONFIDENCE, COMMUNICATION,
AND FIRM VALUE

Friday, April 12, 2024

2:00 PM - 3:30 PM

Location: BUS 306

ABSTRACT

We examine the impact of divergent beliefs between principals and agents about performance information on the stewardship value of that information. We show that, whereas agent overconfidence generally benefits the principal by reducing the cost of effort incentives, this may no longer be the case when the manager also reports private information. In particular, the tension between effort and reporting incentives is increased for a manager that is overconfident conditional on having privately observed “bad news” performance information and the higher cost of reporting may make the principal worse off.

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